

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
ZONE J**

REPORT ON AUDIT

JUNE 30, 2006

County of San Bernardino Special Districts
County Service Area No. 70
Zone J
Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT		1
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	A	2
Statement of Revenues, Expenses and Change in Net Assets	B	3
Statement of Cash Flows	C	4
Statement of Fiduciary Assets and Liabilities - Agency Funds	D	5
Notes to Financial Statements		6 - 15



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County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 - Zone J

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 70 - Zone J (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 70 - Zone J, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The County of San Bernardino Special District County Service Area No. 70 - Zone J has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Rogers, Anderson Malody & Scott, LLP

September 15, 2006

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County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Statement of Net Assets
June 30, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 6,922,392
Accounts receivable, net	633,140
Interest receivable	68,552
Taxes receivable	1,926
Due from other governments	179,295
Total Current Assets	<u>7,805,305</u>

Noncurrent Assets:

Capital assets:

Land	18,805
Improvements to land	9,174,537
Vehicles	33,037
Equipment	49,882
Construction in progress	3,262,695
Accumulated depreciation	(4,367,208)
Total Noncurrent Assets	<u>8,171,748</u>

Total Assets	<u>15,977,053</u>
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LIABILITIES

Current Liabilities:

	225,520
Accounts payable	24,039
Accrued interest payable	5,000
Bonds payable	9,940
Total Current Liabilities	<u>264,499</u>

Noncurrent Liabilities:

Loan payable	<u>2,182,425</u>
Total Noncurrent Liabilities	<u>2,182,425</u>

Total Liabilities	<u>2,446,924</u>
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NET ASSETS

Invested in capital assets, net of related debt	5,984,323
Unrestricted	<u>7,545,806</u>
Total Net Assets	<u><u>\$ 13,530,129</u></u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended June 30, 2006

OPERATING REVENUES

Water sales	\$ 1,834,954
Connection fees	425,566
Other services	126,404
Total Operating Revenues	<u>2,386,924</u>

OPERATING EXPENSES

Professional services	89,612
Salaries and benefits	682,055
Services and supplies	472,030
Rents and leases	1,567
Utilities	414,663
Depreciation	199,135
Other	265,976
Total Operating Expenses	<u>2,125,038</u>

Operating Income	<u>261,886</u>
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	186,243
Interest expense	(31,822)
Property taxes	7,224
Special assessments	98,798
Other taxes	24
State assistance	5
Federal assistance	721,491
Penalties	17,171
Other	165,383
Total Nonoperating Revenues (Expenses)	<u>1,164,517</u>

Change in Net Assets	1,426,403
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Net Assets - beginning	<u>12,103,726</u>
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Net Assets - ending	<u><u>\$ 13,530,129</u></u>
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The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Statement of Cash Flows
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,909,723
Payments to suppliers	(1,067,498)
Payments to employees	(682,055)
Net Cash Provided By Operating Activities	<u>160,170</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes	5,298
Special assessments	98,798
State assistance	5
Federal assistance	721,491
Penalties	17,171
Other nonoperating revenues	165,407
Net Cash Provided by Noncapital Financing Activities	<u>1,008,170</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital asset	(2,331,835)
Proceeds from long-term debt	1,851,773
Interest paid on long-term debt	(14,575)
Net Cash (Used For) Capital and Related Financing Activities	<u>(494,637)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	<u>156,535</u>
Net Cash Provided By Investing Activities	<u>156,535</u>

Net Increase in Cash and Cash Equivalents 830,238

Cash and Cash Equivalents - beginning of the year 6,092,154

Cash and Cash Equivalents - end of the year \$ 6,922,392

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 261,886
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	199,135
Change in assets and liabilities:	
Increase in accounts receivables, net	(312,315)
Increase in due from other governments	(164,886)
Increase in accounts payable	166,410
Increase in other liabilities	9,940
Net Cash Provided By Operating Activities	<u><u>\$ 160,170</u></u>

The accompanying notes are an integral part of these financial statements.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006**

ASSETS

Cash and investments	<u>\$ 6,525</u>
Total Assets	<u><u>\$ 6,525</u></u>

LIABILITIES

Due to bondholders	<u>\$ 6,525</u>
Total Liabilities	<u><u>\$ 6,525</u></u>

The accompanying notes are an integral part of these financial statements.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 70 Zone J was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on January 21, 1946 under Section 4700 of the State Health & Safety Code. The CSA is located 16 miles southwest of Victorville. It serves 2,567 properties and maintains 4 wells, 5 booster stations, 9 water storage reservoirs and approximately 130 miles of water pipelines.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 Zone J of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2006.

Measurement focus, basis of accounting, and financial statement presentation

The CSA's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

Receivables and payables

All accounts receivable are shown net of an allowance for uncollectibles when applicable. The accounts receivable balance at June 30, 2006 is net of an allowance for doubtful accounts of \$54,614.

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets, which include property, plant, and equipment are reported in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

Although the District prepares and adopts an annual budget, budgetary information is not presented because the District is not legally required to adopt a budget.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes the cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

NOTE 3: RECEIVABLES

At June 30, 2006, the accounts receivable was composed of the following:

Accounts receivable	\$ 687,754
Less: allowance for uncollectibles	<u>(54,614)</u>
Total accounts receivable, net	<u><u>\$ 633,140</u></u>

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006**

NOTE 4: CAPITAL ASSETS

Capital asset activity for year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 18,805	\$ -	\$ -	\$ 18,805
Construction in progress	930,860	2,331,835	-	3,262,695
Total capital assets, not being depreciated	949,665	2,331,835	-	3,281,500
Capital assets, being depreciated:				
Improvements to land	9,174,537	-	-	9,174,537
Vehicles	33,037	-	-	33,037
Equipment	49,882	-	-	49,882
Total capital assets, being depreciated	9,257,456	-	-	9,257,456
Less accumulated depreciation for:				
Improvements to land	(4,134,409)	(196,877)	-	(4,331,286)
Vehicles	(33,037)	-	-	(33,037)
Equipment	(627)	(2,258)	-	(2,885)
Total accumulated depreciation	(4,168,073)	(199,135)	-	(4,367,208)
Total capital assets, being depreciated, net	5,089,383	(199,135)	-	4,890,248
Total capital assets, net	\$ 6,039,048	\$ 2,132,700	\$ -	\$ 8,171,748

NOTE 5: REFUNDING OF 1915 ACT BONDS

On June 30, 1994, the County's Assessment District 94-2 issued a Limited Obligation Refunding Bond (the "Assessment Bond") under the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds for the purpose of refunding eleven prior series of assessment district bonds of the County. The prior series assessment bonds of Assessment District #84-3 and #87-2 amounting to \$3,675,000 were refunded. The Assessment Bond is payable from reassessment payments, collected on assessed parcels within Assessment District 94-2, of which Assessment District #84-3 and #87-2 are subareas. Exhibit D shows the cash and investments of the Agency funds including Assessment Districts #84-3 and #87-2 which represent reserve funds of the Assessment District County Service Area No. 70 - Zone J at June 30, 2006.

The CSA has no obligation to advance funds to pay debt service on the Assessment Bond in the event collections are insufficient. However, the CSA may, at its option and in its sole discretion, elect to advance available funds of the CSA in the amount of any delinquent payments to pay debt service on the Assessment bond.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006**

NOTE 6: LONG-TERM DEBT

General Obligation Bond - Matured

In 1974, the Board of Supervisors approved the issuance of general obligation bonds to finance construction of a water facility. Bonds were issued under the authority provided under the County Service Area Law of the California Government Code. The matured portion of bonds payable amounts to \$5,000 at June 30, 2006.

Loan Payable

The CSA 70 Zone J entered into an Enterprise Fund Installment Sale Agreement (the Agreement) dated November 25, 2003 with the California Infrastructure and Economic Development Bank (CIEDB) to fund water system improvements known as the County Service Area 70 - Zone J Water Transmission and Storage Project. According to the Agreement, the CIEDB will issue a total amount of \$2,400,000 in Infrastructure State Revolving Fund Program Revenue Bonds (the Bond) to the CSA on a reimbursement basis. The CSA has agreed to make installment payments to the CIEDB on the Bond secured by a pledge of a first lien on all pledged net system revenue and all amounts in the CSA. The term of the Agreement is thirty years from November 25, 2003 at an interest rate of 3.09%. The total amounts reimbursed by the CIEDB from inception to June 30, 2006 was \$2,234,761. Principal payments on the Bond begin August 1, 2005. The loan payable balance at June 30, 2006 is \$2,182,425.

NOTE 7: RETIREMENT PLAN

Plan description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (the MDAQMD) and the South Coast Air Quality Management District (the AQMD), were later included, along with the County of San Bernardino (the County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 7: RETIREMENT PLAN (continued)

Fiduciary responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2006.

Funding policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	<u>172,563</u>
Annual Contributions Made	<u>166,614</u>
Increase/(Decrease) in Pension Assets	(5,949)
Pension Assets, Beginning of Year	<u>844,882</u>
Pension Assets, End of Year	<u><u>\$ 838,933</u></u>

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 7: RETIREMENT PLAN (continued)

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2006 is \$439,879,000.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070,000, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

NOTE 8: FEDERAL AND STATE GRANTS

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 9: RISK MANAGEMENT

The CSA is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreement totaled \$47.7 million at June 30, 2006.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone J
Notes to Financial Statements
June 30, 2006

NOTE 9: RISK MANAGEMENT (continued)

The total claims liability of \$127.2 million reported at June 30, 2006 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2005 and 2006 were:

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	End of Fiscal Year Liability (in thousands)
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

NOTE 10: CONTINGENCIES

As of June 30, 2006, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.